

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 PA-01 SIL-01 USIA-06 PRS-01 DODE-00 SP-02

AGRE-00 AID-05 FRB-03 TRSE-00 XMB-02 OPIC-03

EPG-02 OMB-01 STR-04 /059 W

-----250909Z 034608 /12

R 250552Z MAY 77

FM USLO PEKING

TO SECSTATE WASHDC 7866

INFO AMCONSUL HONG KONG

AMEMBASSY SINGAPORE

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

CINCPAC

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CINCPAC FOR POLAD

E.O. 11652: N/A

TAGS: ETRD, EINT, CH, US

SUBJ: US BUSINESS AT THE 1977 SPRING CANTON FAIR

REF: (A) PEKING 980, (B) PEKING 838

1. SUMMARY. THE 41ST SESSION OF THE CHINESE EXPORT COMMODITIES FAIR IN CANTON CLOSED ON MAY 15 WITH GENERALLY FAVORABLE REVIEWS FROM U.S. BUSINESSMEN. TOTAL US TRANSACTIONS WERE APPROXIMATELY \$60 MILLION, EQUAL TO LAST YEAR'S FALL FAIR AND CLOSE TO THE RECORD SPRING 1975 FAIR TOTAL OF \$60-65 MILLION. A MORE RELAXED ATMOSPHERE AND A GREATER WILLINGNESS BY CHINESE NEGOTIATORS TO CONSIDER INDIVIDUAL COMPANY NEEDS (SUCH AS LABELING, LIMITED OFFICIAL USE

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PACKAGING, ETC.) WAS A CONTINUATION OF THE TREND EVIDENT IN NEGOTIATIONS IN PEKING IN RECENT MONTHS. PRICE INCREASES WERE GENERALLY MODERATE, WITH SOME NOTABLE EXCEPTIONS. UNUSUAL SUPPLY SHORTAGES WERE NOTED, PRIMARILY IN THE AREA OF FOODSTUFFS. END SUMMARY.

2. GENERAL TRENDS. TOTAL BUSINESS BY OR ON BEHALF OF US FIRMS AT THE SPRING CANTON FAIR REBOUNDED FROM THE DEPRESSED LEVEL OF THE 1976 SPRING FAIR TO APPROACH THE RECORD \$60-65 MILLION OF THE SPRING 1975 FAIR. CHING CHIN-SHAN, DEPUTY SECRETARY GENERAL OF THE FAIR, TOLD USLO ACTING CHIEF THAT US FIRMS HAD MADE PURCHASES SOMEWHAT IN EXCESS OF \$40 MILLION WHILE SALES TO CHINA TOTALED ABOUT \$20 MILLION. BY USLO COUNT, THE LARGEST US PURCHASES WERE FROM THE NATIVE PRODUCE AND ANIMAL BY-PRODUCTS CORP. (\$15 MILLION,) TEXTILES CORP. (\$7 MILLION), MINERALS AND METALS CORP. (\$7 MILLION) AND THE LIGHT INDUSTRY CORP. (\$6 MILLION). US SALES WERE ALMOST ENTIRELY TO THE CHEMICALS CORPS (ABOUT \$11 MILLION) AND THE TEXTILE CORP. (\$7-8 MILLION OF POLYESTER STAPLE). AS AT PREVIOUS FAIRS, A HIGH PERCENTAGE OF THE TOTAL TURNOVER WAS BOUGHT AND SOLD BY A RELATIVELY SMALL NUMBER OF FIRMS.

3. DESPITE TRADITIONAL PROBLEMS AND TRUSTRATIONS OF TRADE WITH CHINA, MANY VETERAN US TRADERS EXPRESSED SATISFACTION WITH THE FAIR AND WITH THE GENERALLY POSITIVE ATTITUDES OF MOST CORPORATION OFFICIALS. LIMITED OFFICIAL USE

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CHINESE NEGOTIATIONS DISPLAYED A WILLINGNESS NOT SEEN SINCE 1975 TO CONSIDER AND MEET INDIVIDUAL COMPANY NEEDS IN AREAS SUCH AS LABELING, PACKAGING, PRODUCT SPECIFICATIONS ETC. THE OVERWHELMING JUDGMENT OF THESE TRADERS WAS THAT CHINESE NEGOTIATORS WERE VISIBLY MORE RELAXED IN THEIR DEALINGS WITH FOREIGNERS THAN THEY WERE IN 1976, THUS CONTINUING THE TREND EVIDENT IN NEGOTIATIONS IN PEKING DURING RECENT MONTHS. IN A NUMBER OF INSTANCES THE CHINESE WERE UNCHARACTERISTICALLY WILLING TO DISCUSS TENSION CAUSED BY THE GANG OF FOUR WITHIN THE MINISTRY OF FOREIGN TRADE AND FOREIGN TRADE CORPORATIONS. SUPPLY SHORTFALLS AND DELIVERY PROBLEMS WERE ALSO MORE COMMONLY ADMITTED BY PRC NEGOTIATORS THAN PREVIOUSLY.

4. WITH SOME NOTABLE EXCEPTIONS, PRICES OF

CHINESE PRODUCTS DID NOT REGISTER THE SAME SHARP INCREASES WHICH GREETED TRADERS AT THE FALL 1976 FAIR. CONSTANT PRICES OR RELATIVELY REASONABLE INCREASES WERE THE RULE. TEXTILE PRICES, FOR EXAMPLE, INCREASED ONLY MODESTLY AS DID LIGHT INDUSTRY'S ARTS AND CRAFTS PRICES. THE LARGEST INCREASES IN ITEMS OF PARTICULAR INTEREST TO US BUYERS WERE IN DOWN AND FEATHERS, SHRIMP, TEA, AND OTHER FOODSTUFFS. SHORT SUPPLY OF MANY PRODUCTS IS A FACT OF LIFE AT EACH CANTON FAIR, BUT AT THIS SESSION SHORTAGES WERE MOST PRONOUNCED IN A WIDE VARIETY OF FOODSTUFFS SOLD BY THE CEROILS CORPORATION. FROZEN SHRIMP, PORK AND CANNED GOODS WERE ADMITTED BY THE CHINESE TO BE IN PARTICULARLY SHORT SUPPLY.  
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5. ATTENDANCE: ATTENDANCE BY US BUSINESSMEN, ACCORDING TO FAIR OFFICIALS, WAS DOWN BY 75-100 FROM THE FALL FAIR TO ABOUT 600-650 VISITORS. SIMILAR DECLINES FROM WESTERN EUROPEAN COUNTRIES MAY CONFIRM REPORTS THAT FAIR AUTHORITIES PLANNED TO SCREEN MORE CAREFULLY THAN IN THE PAST THE LIST OF INVITEES. USLO ESTIMATES THAT 300 US FIRMS WERE REPRESENTED DURING THE FAIR, APPROXIMATELY THE NUMBER REPRESENTED AT THE FALL FAIR.

6. BUSINESS BY CORPORATION: TEXTILE CORPORATION. US PURCHASES OF PIECE GOODS AND GARMETS REACHED \$7 MILLION ACCORDING TO WANG TSE-MING, LEADER OF THE CHINATEX DELEGATION. THIS REPRESENTS A SUBSTANTIAL INCREASE FROM THE ESTIMATED \$5.5 MILLION AT EACH OF THE FAIRS IN 1976. PRICE INCREASES WERE GENERALLY MODERATE AND MOST TRADERS WERE OF THE OPINION THAT THE WORLD MARKET, PARTICULARLY IN COTTON TEXTILES, HAS MOVED UP TO THE LEVEL SET BY SHARP PRC PRICES INCREASES AT LAST FAIR. WANG ACKNOWLEDGED THAT TIGHT COTTON SUPPLIES, BOTH IN CHINA AND ON THE WORLD MARKET, WOULD KEEP PRICES OF COTTON GOODS RELATIVELY HIGH AND WOULD LEAD TO INCREASING PRC USE OF BLENDS OF COTTON AND MANMADE FIBERS. DURING THE CLOSING DAYS OF THE FAIR, CHINATEX WAS ENGAGED IN NEGOTIATIONS WITH THE CELANESE

CORP. FOR A LARGE PURCHASE OF POLYESTER  
STAPLEPLE, THE EXACT AMOUNT TO BE BOUGHT, ACCORDING  
TO WANG, TO BE DEPENDENT ON PRICE. WE  
ESTIMATE A SALE OF \$7-8 MILLION.

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R 250552Z MAY 77  
FM USLO PEKING  
TO SECSTATE WASHDC 7867  
INFO AMCONSUL HONG KONG  
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7. NATIVE PRODUCE AND ANIMAL BY-PRODUCTS.  
CORPORATION OFFICIALS TOLD US THAT US  
PURCHASES WERE IN EXCESS OF \$15 MILLION,  
UP SOMEWHAT FROM THE SPRING FAIR LAST YEAR.  
THE LARGEST SELLING ITEMS AGAIN WERE DOWN  
AND FEATHERS, DESPITE PRICE INCREASES OF  
30 PERCENT SINCE THE SHANGHAI MINI-FAIR  
IN JANUARY. US BUYERS WERE GENERALLY  
PLEASED WITH THE QUANTITIES WHICH WERE MADE  
AVAILABLE FOR PURCHASE, CONSIDERING  
CHRONIC SHORTAGES RELATIVE TO DEMAND. CARPETS,  
ESSENTIAL OILS, TEA (WITH PRICE INCREASES OF  
UP TO 100 PERCENT), AND HERBS AND SPICES WERE  
ALL BOUGHT IN QUANTITY BY US FIRMS.  
WJS WAS ABLE TO PURCHASE \$1.1 MILLION  
OF SCARCE CAMEL HAIR AND CASHMERE.

8. CEROILFOOD CORPORATION. EVEN THOUGH  
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BOOSTED BY SHARPLY HIGHER PRICES, US PURCHASES BARELY EXCEEDED TOTAL PURCHASES AT LAST YEAR'S FAIRS. CORPORATION OFFICIALS ESTIMATED \$2 MILLION IN SALES TO US FIRMS, WITH FROZEN SHRIMP, DRY GINGER, AND CANNED FOODS THE THREE LARGEST SELLING PRODUCTS. FROZEN SHRIMP WAS IN UNUSUALLY SHORT SUPPLY ACCORDING TO CHINESE NEGOTIATORS BECAUSE OF UNSEASONAL CHANGES IN WATER TEMPERATURE AND FLOW. SHORTAGES OF FOODSTUFFS WERE THE MOST TALKED ABOUT AT THE FAIR, WITH CHINESE OFFICIALS IN MANY CASES FRANKLY ADMITTING THAT A COMBINATION OF OVERSELLING, ADVERSE CLIMATIC CONDITIONS, AND THE GANG OF FOUR HAD CREATED THE UNUSUAL SHORTAGES. ONE JAPANESE FIRM RECEIVED STRONG INDICATIONS FROM CORPORATION OFFICIALS THAT A PRC POLICY OF MAKING AVAILABLE ADDITIONAL SUPPLIES OF FOODSTUFFS FOR THE INTERNAL MARKET HAD REDUCED THE STOCK OF GOODS EARMARKED FOR EXPORT.

9. LIGHT INDUSTRY CORPORATION. CORPORATION OFFICIALS RECORDED SALES TO AMERICANS OF \$1.5 MILLION OF GENERAL MERCHANDISE AND MORE THAN \$4.5 MILLION FROM THE ARTS AND CRAFTS DIVISION. THIS EXCEEDED TML RECORD LEVEL OF \$6 MILLION SET AT THE FALL 1976 FAIR. THE LARGEST SINGLE SALE WAS FOR OVER \$1 MILLION OF VARIOUS HANDICRAFTS BOUGHT BY OSCO FOR PIER ONE IMPORTS. SALES WERE BRISK THANKS IN PART TO REASONABLY CONSTANT PRICES FROM LAST YEAR'S FALL AIR. THE CORPORATION MADE ONE PURCHASE FROM AN AMERICAN FIRM: THE WEYERHAUSER CORPORATION SOLD 1,000 TONS OF CANADIAN PULP.

10. CHEMICALS CORPORATION. THE CHEMICALS  
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CORP. WAS A PARTICULARLY ACTIVE TRADER IN THE FINAL DAYS OF THE FAIR, SELLING APPROXIMATELY \$2 MILLION IN INDUSTRIAL CHEMICALS TO IDC, DIAMOND SHAMROCK AND IMC. CHINESE PURCHASES WERE IN THE RANGE OF \$11 MILLION, WITH MAJOR CONTRACTS FOR \$2 MILLION OF SODIUM BICRAMATE (ALLIED CHEMICAL AND DIAMOND SHAMROCK), \$2.2 MILLION OF THALLIC

ANHYDRIDE (FALLEK), \$4 MILLION OF INDUSTRIAL CHEMICALS (DOW, AND \$1 MILLION OF HERBICIDES (UNIROYAL). THIS REPRESENTS A DOUBLING OF TOTAL TURNOVER FROM THE FALL 1976 FAIR AND MORE THAN FOUR TIMES THAT OF THE SPRING 1976 FAIR. US COMPANIES FOUND THAT AGRICULTURAL CHEMICAL SALES WERE PARTICULARLY ELUSIVE BECAUSE OF UNUSUALLY LOW PRICES OFFERED BY EUROPEAN FIRMS. THE US CORPORATIONS DISCOVERED THAT CERTAIN AGRICULTURAL CHEMICALS OFFERED AT DISTRESS PRICES WERE OF ISRAELI ORIGIN.

11. METALS AND MINERALS CORPORATION. US SALES WERE LESS THAN \$1 MILLION PARTLY BECAUSE OF RECENTLY INCREASED WORLD PRICES WHICH THE CHINESE DECLINED TO PAY. ONE US FIRM, FOR EXAMPLE, HAD FELT CONFIDENT OF SELLING ALUMINUM BUT WAS UNABLE TO DO BECAUSE OF THE ADVANCING WORLD MARKET. US PURCHASES WERE APPROXIMATELY \$7-8 MILLION, WITH ANTIMONY, ANTIMONY TRIOXIDE, TUNGSTEN, TIN, AND GRAPHITE MAKING UP THE BULK OF THE TOTAL. LARGE PURCHASES WERE: AMAX, \$1 MILLION (ANTIMONY, TUNGSTEN); ASBURY GRAPHITE, \$1 MILLION (GRAPHITE); IMC, \$2 MILLION (ANTIMONY TRIOXIDE); ACLI, \$3-4 MILLION (ANTIMONY, TUNGSTEN, TIN) AND LIMITED OFFICIAL USE

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LIFFMAN, \$200,000 (MERCURY).

12. MACHINERY CORPORATION. MACHIMPEX WAS THE LEAST ACTIVE OF THE CORPORATIONS AT THE FAIR IN TERMS OF CONTRACTS SIGNED WITH US FIRMS. THE ONLY LARGE US PURCHASE WAS OF UNSOPHISTICATED MACHINE TOOLS BY ORIENTAL MACHINERY. WE ESTIMATE THE CONTRACT WAS FOR APPROXIMATELY \$500,000. ALTHOUGH DISCUSSIONS WERE HELD WITH A VARIETY OF US COMPANIES FOR THE PURCHASE OF US PRODUCTS, NO CONTRACTS WERE SIGNED. IN A NUMBER OF CASES US REPRESENTATIVES HAD CONCLUDED CONTRACTS IN PEKING BEFORE THE FAIR OR WERE INVITED TO GO TO PEKING AFTERWARDS.

13. THIS REPORT CONTAINS COMMERCIALY SENSITIVE INFORMATION WHICH SHOULD NOT BE DISCUSSED OUTSIDE THE U. S. GOVERNMENT.  
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## Message Attributes

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**Subject:** US BUSINESS AT THE 1977 SPRING CANTON FAIR  
**TAGS:** ETRD, EINV, CH, US  
**To:** STATE  
**Type:** TE  
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